

# **MARKET CONDUCT EXAMINATION**

**ST. PAUL FIRE AND MARINE INSURANCE  
COMPANY AND AFFILIATES  
385 WASHINGTON STREET  
ST. PAUL, MINNESOTA 55102**

**MARCH 1, 2002 – FEBRUARY 28, 2003**



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The Honorable Mike Kreidler  
Washington State Insurance Commissioner  
PO Box 40255  
Olympia, Washington 98504

Dear Commissioner Kreidler:

Pursuant to your instructions and in compliance with the statutory requirements of RCW 48.03.010 and procedures promulgated by the National Association of Insurance Commissioners (NAIC) and the Office of the Insurance Commissioner (OIC), an examination of the market conduct affairs has been performed on the following companies:

St. Paul Fire and Marine Insurance Company NAIC # 24767  
St. Paul Guardian Insurance Company NAIC #24775  
St. Paul Mercury Insurance Company NAIC #24791  
Discovery Property and Casualty Insurance Company NAIC #36463  
United States Fidelity and Guaranty Insurance Company NAIC #25887  
Fidelity and Guaranty Insurance Underwriters, Inc NAIC # 25879  
Fidelity and Guaranty Insurance Company NAIC # 35386

In this report, the above entities are also referred to as the Companies. This examination is respectfully submitted.

## CHIEF EXAMINER'S REPORT CERTIFICATION

This examination was conducted in accordance with Office of the Insurance Commissioner and National Association of Insurance Commissioners market conduct examination procedures. Sally Anne Carpenter, AIE, and Shirley M. Merrill of the Washington State Office of the Insurance Commissioner performed this examination and participated in the preparation of this report.

The examiners wish to express appreciation for the courtesy and cooperation extended by the personnel of the St. Paul Companies during the course of this market conduct examination, and particularly acknowledges the efforts of those people who provided daily support to the examiners.

I certify that the foregoing is the report of the examination, that I have reviewed this report in conjunction with pertinent examination work papers, that this report meets the provisions for such reports prescribed by the Office of the Insurance Commissioner, and that this report is true and correct to the best of my knowledge and belief.



Leslie A. Krier, AIE, FLMI  
Chief Market Conduct Examiner  
Office of the Insurance Commissioner  
State of Washington

## **FOREWORD**

This examination was completed by applying tests to each examination standard. Each test applied during the examination is stated in this report and the results are reported. Exceptions are noted as part of the comments for the applied test. Throughout the report, where cited, RCW refers to the Revised Code of Washington, and WAC refers to Washington Administrative Code.

### **Prior Examination Summary**

This is the second examination of the Companies. The first examination was a full scope examination that addressed company operations from September 1, 1997 through February 28, 1998. Fifteen instructions were issued as a result of that examination. Any repetitive violations are addressed in the appropriate section of the exam.

## **SCOPE**

### Time Frame

The examination covered the Companies' operations from March 1, 2002 through February 28, 2003. The examination was performed in the Companies' underwriting office in Seattle, Washington and in the Seattle Office of the Insurance Commissioner.

### Matters Examined

The examination included the following areas:

Agent Activities  
Underwriting and Rating  
Rate and Form Filings  
Cancellations and Non-Renewals

## **SAMPLING STANDARDS**

### Methodology

In general, the sample for each test utilized in this examination falls within the following guidelines:

92%                      Confidence Level

+/- 5% Mathematical Tolerance

These are the guidelines prescribed by the National Association of Insurance Commissioners in the Market Conduct Examiners Handbook.

### Regulatory Standards

Samples are tested for compliance with standards established by the Office of the Insurance Commissioner. The tests applied to sampled data will result in an error ratio, which determines whether or not a standard is met. If the error ratio found in the sample is, generally, less than 5%, the standard will be considered as 'met'. The standard in the area of agent licensing and appointment will not be met if any violation is identified. The standard in the area of filed rates and forms will not be met if any violation is identified. This will also apply when all records are examined, in lieu of a sample.

For those standards which look for the existence of written procedures or a process to be in place, the standard will be met based on the examiner's analysis of those procedures or processes. The analysis will include a determination of whether or not the company follows established procedures.

Standards will be reported as Passed without Comment, Passed with Comment or Failed. The definition of each category follows.

Passed without Comment:	There were no adverse findings for the standard.
Passed with Comment:	The records reviewed fell within the tolerance level for the standard.
Failed:	The records reviewed fell outside of the tolerance level established for the standard.
Not Applicable	The standard is not applicable to this examination

## COMPANY HISTORY AND OPERATIONS

Company Name	Domiciled State	Incorporation Date	Date Admitted to WA
St. Paul Fire and Marine	Minnesota	04-18-1925	09-01-1927
United States Fidelity and Guaranty	Maryland	03-19-1896	08-06-1897
Fidelity and Guaranty Insurance Company	Iowa	03-01-1977	04-14-1978
Fidelity and Guaranty Insurance Underwriters, Inc.	Wisconsin	11-01-1951	03-15-1997
St. Paul Guardian Insurance Company	Minnesota	04-06-1970	01-07-1974
St. Paul Mercury Insurance Company	Minnesota	1964*	09-27-1967
Discover Property and Casualty Insurance Company	Illinois	12-20-1978	12-15-1980
St. Paul Surplus Lines Insurance Company	Delaware	02-22-1974	(non-admitted)

\*originally incorporated under the name St. Paul Insurance Company

The St. Paul Fire and Marine Insurance Company was incorporated in 1925 in Minnesota under the title Mercury Insurance Company. The title changed to its present form in December 1967. The Company is owned by the St. Paul Companies, a publicly held holding company. Bests Insurance Reports indicate that in 1996 the St. Paul Companies consisted of 20 property and casualty companies including St. Paul Fire and Marine Company's 1996 acquisition of Northbrook Holding Inc. and its three wholly owned insurance companies from Allstate. In April 1998, the St. Paul Fire and Marine Company acquired the United States Fidelity and Guarantee Group. Between 2000 and 2003 the St. Paul Companies acquired and sold numerous companies.

The Companies sell most traditional lines of commercial insurance; i.e. mono-line property, package, general liability, umbrella, and surety. The Companies do not sell workers compensation in Washington. The products are marketed through independent agents and national brokers.

The St. Paul Companies are headed by Jay S Fishman, Chairman, President and Chief Executive Officer.

### **Findings:**

The following Operations and Management Standard Passed without Comment:

#	OPERATIONS AND MANAGEMENT STANDARD	REFERENCE
1	The company is required to be registered with the OIC prior to acting as an insurance company in the State of Washington.	RCW 48.05.030(1)

Operations and Management Standard #2 applies to Washington domestic companies, and is not applicable to this examination.

### **GENERAL EXAMINATION FINDINGS**

The following General Examination Standards Passed without Comment:

#	GENERAL EXAMINATION STANDARD	REFERENCE
3	The company maintains full and accurate records and accounts.	RCW 48.05.280
4	The company filed an antifraud plan and files annual anti-fraud annual reports with the OIC.	RCW 48.30A.045, RCW 48.30A.060

The following General Examination Standard Passed with Comment:

#	GENERAL EXAMINATION STANDARD	REFERENCE
1	All requested information was made available to the examiners, and the company otherwise facilitated the examination in a timely manner.	RCW 48.03.030(1)

The Companies provided all requested materials to the examiners, however it was not always timely or complete, and required follow-up by the examiners.

The following General Examination Standard Failed:

#	GENERAL EXAMINATION STANDARD	REFERENCE
2	The company does business in its own legal name.	RCW 48.05.190(1), Bulletin 78-7, Technical Assistance Advisory T 2000-06



## **General Examination Standard #2:**

### **Underwriting:**

- Five (5) policy files contained correspondence that did not identify the insuring company.

### **Cancellation and Non-Renewals:**

- 16 non-renewal notices identified the wrong insuring company. This violation was noted in the prior examination.

See Appendix 1 for details.

**Subsequent event:** *The companies have implemented a guideline on the internal regulatory intranet site reinforcing the use of the legal name of the insurer. The company has also amended the template in the Small Commercial support system to show the full legal name, rather than initials of the companies.*

## **AGENT ACTIVITIES**

The examiners reviewed the status of agents' licenses and appointments from the new and renewed policies reviewed in the underwriting sample and from the list of active agents provided by the Company. As part of the review, the examiners compared the Company's agent licensing records with the OIC records to ensure that agents soliciting business for the Company were licensed and appointed prior to soliciting business on behalf of the Company as required by Washington law.

### **Findings**

The following Agent Activity Standards Passed without Comment:

#	AGENT ACTIVITY STANDARD	REFERENCE
3	The company must notify the OIC when an agent's appointment has been revoked.	RCW 48.17.160(3)
4	The company must give an agency with a written agency contract at least 120 days notice of its intent to terminate the contract.	RCW 48.17.591(2)

The following Agent Activity Standards Failed:

#	AGENT ACTIVITY STANDARD	REFERENCE
1	The company must ensure that agents or brokers are licensed for the appropriate line of business with the State of Washington prior to allowing agents to solicit business or represent the company in any way.	RCW 48.17.060(1) and (2)

#	AGENT ACTIVITY STANDARD	REFERENCE
2	The company must require that agents are appointed to represent the company prior to allowing agents to solicit business on behalf of the company.	RCW 48.17.160(1) and (2)

**Agent Activity Standard #1:**

- One (1) agent that was not licensed in Washington wrote one policy.

**Agent Activity Standard #2:**

- Three (3) agents that were not appointed with the Companies in Washington each wrote one policy.

See Appendix 2 for details.

**Subsequent event:** *The companies have taken steps to license and/or appoint these agents.*

## **UNDERWRITING AND RATING**

The examiners selected 100 policies from 18,664 policies which were either newly issued or renewed during the exam period.

Files were reviewed to determine if the Companies had followed the filed rating plans, followed the underwriting rules, and were in compliance with Washington laws.

The examiners manually rated policies to determine if there were any programmed errors in the Companies' computer system and if the Companies used the filed and approved rates.

The following errors were returned to underwriting management for review and correction if needed:

- One form that had been withdrawn was attached to a policy.
- One loss payee form was left off a policy in error.

The examiners expanded the sample to include all of the files in the Real Estate Professional program and in the VisionPak program that were new or renewed during the exam period. This action was taken because the violations in the sample were applicable to all files in the program. Details of those findings appear in Underwriting Standard #5.

## **Findings**

The following Underwriting Standards Passed without Comment:

#	UNDERWRITING STANDARD	REFERENCE
2	The company requires an insured to reject or request lower limits for Underinsured Motorist (UIM) coverage in writing.	RCW 48.22.030(3) and (4)
3	The company must require an insured to reject Personal Injury Protection (PIP) coverage in writing.	RCW 48.22.085(2)
4	During underwriting, the company must obtain and use only the personal driving record for personal insurance and only the employment driving record for commercial insurance.	RCW 48.30.310, RCW 46.52.130, Bulletin 79-3, WAC 308-104-145
7	The company may not rely solely on the decision of another insurer's denial, cancellation, or non-renewal of insurance to support a denial or termination of coverage.	WAC 284-30-574
8	Binders must identify the insurer which is bound by the form.	WAC 284-30-560(2)(a)

The following Underwriting Standards Passed with Comment:

#	UNDERWRITING STANDARD	REFERENCE
1	Binders issued to temporarily secure coverage during underwriting are valid until the policy is issued or ninety days, whichever is shorter, and shall identify the company providing the coverage and effective dates.	RCW 48.18.230(1) WAC 284-30-560
6	The company must retain all documentation related to the development and use of (a) rates.	WAC 284-24-070

**Underwriting Standard #1:**

- One binder was issued without the time the binder became effective.

**Underwriting Standard #6:**

- The Company was unable to produce the documentation or justify the use of "a" rates for one policy.

The following Underwriting Standard Failed:

#	UNDERWRITING STANDARD	REFERENCE
5	The company must apply schedule rating plans to all policies as applicable in its filing and retain documentation and analysis to support the company's decision.	WAC 284-24-100

**Underwriting Standard #5:**

- 26 policies did not contain documentation to support the debits or credits given, or did not contain documentation to support the decision to rate them as average risks. \$15,874 was returned to 10 policyholders.
- 142 of 191 policies written or renewed during the exam period in the companies' Real Estate Program failed the standard because the documentation on the files was not sufficient to support the schedule rating decisions or did not explain why the exposure varied from the filed rate plan options. The examiners had expanded the sample to include all the Real Estate Program files because of initial concerns from the sample.
- 159 VisionPak policies did not contain documentation that consideration for schedule rating was given, and the insured was considered an average risk.

An instruction was issued for this violation in the prior examination.

See Appendix 3 for detail.

**Subsequent event:** *The Companies held schedule rating training for the Underwriters and Underwriting Support Specialists on May 17, 2004 for the Real Estate Professional Services Unit, May 18 for the Small Business Units, and March 30, 2004 for the VisionPak unit.*

**RATE AND FORM FILINGS**

The examiners selected forms that were attached to the new and renewal policies in the Underwriting and Rating sample for the Rate and Form filings review. The purpose was to determine if the Companies were complying with the laws regarding the filing and use of rates and forms.

It was noted that the Companies had failed to include the umbrella rating in a revised rate filing for their VisionPak product. When the Companies identified the mistake they processed all policies with a prior approved rate. Overcharged premium was returned to insureds. This was corrected prior to the examiners review.

The following policies contained errors and were returned to the Company for review and correction:

- One policy received a sprinkler credit. The Washington Rating Bureau rated this as a building with sprinklers; therefore the credit was added incorrectly.

### **Findings**

Rate and Form Filing Standard #1 applies to personal lines only and is not applicable to this examination of commercial activities.

The following Rate and Form Filing Standards Passed without Comment:

#	RATE AND FORM STANDARD	REFERENCE
3	The policy identifies all forms that make up the policy. The policy identifies all coverage limits.	RCW 48.18.140(2)(a) and (f)
4	The policy must contain all endorsements and forms.	RCW 48.18.190
5	Policy forms for commercial policies are filed within 30 days of use.	RCW 48.18.103(2)
6	Personal Injury Protection forms issued by the company contain coverage definitions and limits that conform to Washington law.	RCW 48.22.095, RCW 48.22.005
7	Rates for commercial property/casualty policies must be filed within 30 days of use.	RCW 48.19.043(2)

The following Rate and Form Filing Standard Failed:

#	RATE AND FORM STANDARD	REFERENCE
2	Where required, the company has filed with the OIC classification manuals, manuals of rules and rates, rating plans, rating schedules, minimum rates, class rates, and rating rules prior to use, and does not issue any policies that are not in accord with the filing in effect.	RCW 48.19.040 (1) and (6)

#### **Rate and Form Filing Standard #2:**

- Seven (7) policies were not rated according to their filed plan.

### **CANCELLATIONS AND NON-RENEWALS**

The examiners reviewed files to determine if the Company was in compliance with state laws governing policy cancellation and non-renewal. The examiners selected a sample of 50 policies from 2,937 policies that were either cancelled or non-renewed during the exam period. The examiners also reviewed 24 policies that had been written by agents whose relationship with the Companies had terminated.

### **Findings**

The following Cancellation and Non-renewal Standard Passed without Comment:

#	CANCELLATION and NON-RENEWAL STANDARD	REFERENCE
1	The company does not cancel or refuse to renew policies because the agent is no longer affiliated with the company.	RCW 48.17.591

The following Cancellation and Non-renewal Standards Failed:

#	CANCELLATION and NON-RENEWAL STANDARD	REFERENCE
2	The company sends offers to renew or cancellation or non-renewal notices according to the requirements prior to policy termination.	RCW 48.18.290, RCW 48.18.2901, RCW 48.18.291, RCW 48.18.292
3	The company includes the actual reason for canceling, denying or refusing to renew an insurance policy when notifying the insured.	WAC 284-30-570

**Cancellation and Non-Renewal Standard #2:**

- 10 files contained renewal offers that were not completed within the prescribed time frames, and also did not include the required information on changes in premium or coverage. See Appendix 5 for detail.

**Cancellation and Non-Renewal Standard #3:**

- 49 of 50 files reviewed contained non-renewal notices that did not contain the actual reason for the Company's action in language that would not require further investigation by the insured to determine the reason for the action. In discussions with the Company, the examiners found that the Company lists only a broad, general statement about non-renewal reasons. This practice is in violation of the requirements of WAC 284-30-570.

## SUMMARY OF STANDARDS

### **Company History and Management:**

#	STANDARD	PAGE	PASS	FAIL
1	The company is required to be registered with the OIC prior to acting as an insurance company in the State of Washington. (RCW 48.05.030(1))	8	X	
2	The company is required to file with the OIC any amendments to the Articles of Incorporation for domestic insurers or insurance holding companies. (RCW 48.07.070)		NA	

### **General Examination:**

#	STANDARD	PAGE	PASS	FAIL
1	All requested information was made available to the examiners, and the company otherwise facilitated the examination in a timely manner. (RCW 48.03.030(1))	8	X	
2	The company does business in its own legal name. (RCW 48.05.190(1), Bulletin 78-7, Technical Assistance Advisory T 2000-06)	8		X
3	The company maintains full and accurate records and accounts. (RCW 48.05.280)	8	X	
4	The company filed an antifraud plan and files annual anti-fraud annual reports with the OIC. (RCW 48.30A.045 and RCW 48.30A.060)	8	X	

### **Advertising:**

#	STANDARD	PAGE	PASS	FAIL
1	The company's advertising materials do not contain any false, deceptive or misleading representations. (RCW 48.30.040)		N/A	
2	The company does not use quotations or evaluations from rating services or other sources in a manner that appears to be deceptive to the public. (WAC 284-30-660)		N/A	
3	The company must use its full name and include the location of its home office or principle office in all advertisements. (RCW 48.30.050, Bulletin 78-7, Technical Assistance Advisory T 2000-06)		N/A	
4	The company referencing its financial condition in		N/A	

#	STANDARD	PAGE	PASS	FAIL
	advertisements is required to show the actual financial condition as it corresponds with the financial statements published by each company, and must include only those assets actually owned and possessed by each company exclusively. (RCW 48.30.070)			
5	The company does not advertise the existence of the Washington Insurance Guaranty Association. (RCW 48.30.075)		N/A	
6	The company does not include any statements in its advertising material that would appear to defame the name of other insurers. (RCW 48.30.080)		N/A	
7	The company does not misrepresent the terms of its policies in any form during the advertising and solicitation of its products. (RCW 48.30.090)		N/A	
8	The company does not offer, promise, allow, give, set off, or pay to the insured or to any employee of the insured any rebate, discount, abatement or reduction of premium or any part of these as an inducement to purchase or renew insurance unless specifically exempted from this statute. (RCW 48.30.140, RCW 48.30.150)		N/A	

**Agent Activity:**

#	STANDARD	PAGE	PASS	FAIL
1	The company must ensure that agents or brokers are licensed for the appropriate line of business with the State of Washington prior to allowing agents to solicit business or represent the company in any way. (RCW 48.17.060(1) and (2))	9		X
2	The company must require that agents are appointed to represent the company prior to allowing agents to solicit business on behalf of the company. (RCW 48.17.160(1) and (2))	9		X
3	The company must notify the OIC when an agent's appointment has been revoked. (RCW 48.17.160(3))	9	X	
4	The company must give an agency with a written agency contract at least 120 days notice of its intent to terminate the contract. (RCW 48.17.591(2))	9	X	



**Complaints:**

#	STANDARD	PAGE	PASS	FAIL
1	Response to communication from the OIC must be within 15 business days of receipt of the correspondence. The response must contain the substantial information requested in the original communication. (WAC 284-30-650, WAC 284-30-360(2), Technical Assistance Advisory T 98-4)		N/A	

**Underwriting and Rating:**

#	STANDARD	PAGE	PASS	FAIL
1	Binders issued to temporarily secure coverage during underwriting are valid until the policy is issued or ninety days, whichever is shorter, and shall identify the company providing the coverage and effective dates. (RCW 48.18.230(1), WAC 284-30-560)	11	X	
2	The company requires an insured to reject or request lower limits for Underinsured Motorist (UIM) coverage in writing. (RCW 48.22.030(3) and (4))	11	X	
3	The company requires an insured to reject Personal Injury Protection (PIP) coverage in writing. (RCW 48.22.085(2))	11	X	
4	During underwriting, the company must obtain and use only the personal driving record for personal insurance and only the employment driving record for commercial insurance. (RCW 48.30.310, RCW 46.52.130, Bulletin 79-3, WAC 308-104-145)	11	X	
5	The company must apply schedule rating plans to all policies as applicable in its filing and retain documentation and analysis to support the company's decision. (WAC 284-24-100)	11		X
6	The company must retain all documentation related to the development and use of (a) rates. (WAC 284-24-070)	11	X	
7	The company may not rely solely on the decision of another insurer's denial, cancellation, or non-renewal of insurance to support a denial or termination of coverage. (WAC 284-30-574)	11	X	
8	Binders must identify the insurer which is bound by the form.	11	X	

#	STANDARD	PAGE	PASS	FAIL
	(WAC 284-30-560(2)(a))			

**Rate and Form Filings:**

#	STANDARD	PAGE	PASS	FAIL
1	Policy forms and applications, where required, have been filed with and approved by the OIC prior to use. (RCW 48.18.100) applies to personal lines only		NA	
2	Where required, the company has filed with the OIC classification manuals, manuals of rules and rates, rating plans, rating schedules, minimum rates, class rates, and rating rules prior to use, and does not issue any policies that are not in accord with the filing in effect. (RCW 48.19.040 (1) and (6))	13		X
3	The policy identifies all forms that make up the policy. The policy identifies all coverage limits. (RCW 48.18.140(2)(a) and (f))	13	X	
4	The policy must contain all endorsements and forms. (RCW 48.18.190)	13	X	
5	Policy forms for commercial policies are filed within 30 days of use. (RCW 48.18.103(2))	13	X	
6	Personal Injury Protection forms issued by the company contain coverage definitions and limits that conform to Washington law. (RCW 48.22.095, RCW 48.22.005)	13	X	
7	Rates for commercial property/casualty policies must be filed within 30 days of use. (RCW 48.19.043(2))	13	X	

**Cancellations and Non-Renewals:**

#	STANDARD	PAGE	PASS	FAIL
1	The company does not cancel or refuse to renew policies because the agent is no longer affiliated with the company. (RCW 48.17.591)	14	X	
2	The company sends offers to renew or cancellation or non-renewal notices according to the requirements prior to policy termination. (RCW 48.18.290, RCW 48.18.2901, RCW 48.18.291, RCW 48.18.292)	14		X
3	The company includes the actual reason for canceling, denying or refusing to renew an insurance policy when notifying the insured. (WAC 284-30-570)	14		X

**Claims:**

#	STANDARD	PAGE	PASS	FAIL
1	The company settles claims in a manner that is not in conflict with any section of the Unfair Claims Settlement Act. (WAC 284-30-330(1) through (19))		NA	
2	Company claim files contain detailed log notes and work papers that allow reconstruction of the claim file. (WAC 284-30-340)		NA	
3	The company provides an explanation of all pertinent coverage to first party claimants. (WAC 284-30-350)		NA	
4	The company acknowledges receipt of a claim within 10 days, and responds to all communication on a claim file within the time frames prescribed. (WAC 284-30-360(1) and (3))		NA	
5	The company complies with requirements for prompt investigation of claims. (WAC 284-30-370)		NA	
6	The company accepts or denies coverage within 15 days after receiving proof of claim. (WAC 284-30-380)		NA	
7	The company settles automobile claims in accordance with standards established for prompt, fair and equitable claim settlements. (WAC 284-30-390)		NA	
8	The company complies with the regulation regarding notification of PIP benefits, limitations, termination, or denial of benefits. (WAC 284-30-395)		NA	
9	The company surrenders titles for total loss vehicles to the Department of Licensing or provides other authorized documentation as required. (RCW 46.12.070, WAC 308-56A-460)		NA	

## INSTRUCTIONS AND RECOMMENDATIONS

### INSTRUCTIONS

#	Instruction	Page #
1	The Companies are instructed to comply with RCW 48.05.190(1) and identify the true name of the insurer on correspondence.	8
2	The Companies are instructed to comply with RCW 48.17.060 and RCW 48.17.160 to ensure that agents are licensed and appointed with the Companies prior to soliciting business for the Companies.	9
3	The Companies are instructed to comply with WAC 284-24-100 and fairly apply their schedule rating plans to every eligible policy. In addition, the Companies are instructed to identify all policies that were debited inappropriately and refund the overcharged premium.	11
4	The Companies are instructed to comply with RCW 48.19.040(6) and follow their filed rules and rates when issuing a policy.	13
5	The Companies are instructed to comply with RCW 48.18.2901 and issue every offer of renewal or non-renewal within the law's specified timeframes.	14
6	The Companies are instructed to comply with WAC 284-30-570 and complete every non-renewal or cancellation notice with the true reason for the action, in such detail that the insured does not need to undertake additional research to understand the Companies' decision.	14

APPENDIX 1	
POLICY NUMBER	COMMENTS
General Standard #2	Company must do business in its own legal name
BK01073876	Non-renewal notice done in wrong company name
BK01080340	Non-renewal notice done in wrong company name
BK01092305	Non-renewal notice done in wrong company name
BK01128921	Non-renewal notice done in wrong company name
BK01127006	Non-renewal notice done in wrong company name
BK01137142	Non-renewal notice done in wrong company name
BK01145535	Non-renewal notice done in wrong company name
D067L02230	Non-renewal notice done in wrong company name
D067U00277	Non-renewal notice done in wrong company name
D067L02164	Non-renewal notice done in wrong company name
D067L01303	Non-renewal notice done in wrong company name
D067U00216	Non-renewal notice done in wrong company name
BK01151264	Quote not done in insuring company name
CK04501581	Correspondence did not identify the insuring company
KK08400380	Correspondence did not identify the insuring company
VP02300051	Correspondence did not identify the insuring company
BK01157940	Non-renewal notice done in wrong company name
BK01183271	Non-renewal notice done in wrong company name
BL01221653	Non-renewal notice done in wrong company name
VP094015669	Non-renewal notice done in wrong company name
VP09401069	Correspondence did not identify the insuring company

APPENDIX 2	
POLICY NUMBER	COMMENTS
<b>Agent Activity Std. #1</b>	<b>Agents and brokers must be licensed prior to soliciting on behalf of the company</b>
BK01166706	Agent not licensed in Washington
<b>Agent Activity Std. #2</b>	<b>Agents must be appointed prior to soliciting business on behalf of the company</b>
VP06601744	Non-resident agent not appointed by the Company in Washington
BK01124059	Non-resident agent not appointed by the Company in Washington
BK01092276	Non-resident agent not appointed by the Company in Washington

APPENDIX 3	
POLICY NUMBER	COMMENTS
<b>Underwriting and Rating Standard #5</b>	<b>Schedule ratings must be used on all policies as stipulated in the filing, and retain all documentation as to the use of the scheduled rating.</b>
various	The Companies failed to document the analysis or underwriters judgment of 142 of 191 files in the Real Estate Program.
various	The Companies did not document consideration of schedule rating criteria as required on 159 VisionPak policies
BK 01261067	No documentation available to support the schedule rating decision to apply credits
VP09401960	No documentation available to support the schedule rating decision to apply credits
BK01171832	No documentation available to support the schedule rating decision to apply credits
BK01196325	No documentation available to support the schedule rating decision to apply debits. \$160 refunded to the insured.
CK08403302	No documentation available to support the schedule rating decision to debit the policy. \$2903 refunded to the insured
CK 08403410	No documentation to support the decision to debit the policy. \$237 returned to the policy holder.
CK 019001328	No documentation to support the schedule rating decision to apply credits
BK 01137142	No documentation to support the schedule rating decision to apply credits
TE 08401096	No documentation to support the schedule rating decision to apply debits. \$583 refunded to the insured
CK00213874	No documentation to support the schedule rating decision to apply debits. \$666 refunded to the insured
BK01294828	No documentation to support the schedule rating decision to apply debits. \$828 refunded to the insured

<b>POLICY NUMBER</b>	<b>COMMENTS</b>
BK00861602	No documentation to support the schedule rating decision to apply debits. \$858 refunded to the insured.
BK 01208667	No documentation to support the schedule rating decision to apply debits. \$3314 refunded to the insured.
BK 01053789	No documentation to support the schedule rating decision to apply debits. \$631 refunded to the insured
CK00215460	No documentation to support the schedule rating decision to apply debits. \$5694 refunded to the insured
BK01210090	No documentation to support the schedule rating decision to apply credits
VP094015669	No supporting evidence that schedule rating was considered
D072A03676	No supporting documentation to support the schedule rating decision to apply credits
BK 01100424	No supporting documentation to support that schedule rating was considered
VP04601388	No supporting documentation to support that schedule rating was considered
VP06301236	No supporting documentation to support that schedule rating was considered
BP01197090	No supporting documentation to support that schedule rating was considered
BK01349961	No supporting documentation to support the decision to apply credits
BK01283798	No supporting documentation to support the schedule rating decision to apply credits
BK01276345	No supporting documentation to support the schedule rating decision to apply credits
BK01066179	No supporting documentation to support the schedule rating decision
BK01236915	No supporting documentation to support the schedule rating decision to apply credits
<b>POLICY NUMBER</b>	<b>COMMENTS</b>



BK 01340845	No documentation was on file to explain why no schedule rating was applied to this eligible policy
VP 063000846	One rating error, which, when corrected resulted in premium returned to insured. Violation of scheduled rating because the company did not document why no credits or debits were applied to the eligible policy

APPENDIX 4	
<b>Rate and Form Filing Standard #2</b>	<b>All appropriate rate filing materials have been submitted to and approved by the OIC prior to use.</b>
<b>POLICY NUMBER</b>	<b>COMMENTS</b>
BK01349961	Policy not rated according to filed plan
BK01294828	Policy not rated according to filed plan
CK019001328	Policy not rated according to filed plan tentative rates were used
BK01137142	Policy not rated according to filed plan
CK00214950	Policy not rated according to filed plan. \$1945 returned to the insured
BK01340845	Premium modification used is not in filed plan

APPENDIX 5	
POLICY NUMBER	COMMENTS
<b>Cancellation and Non-Renewal Standard # 2</b>	<b>The Company's notices to renew or cancel are sent prior to termination and contain language as proscribed by law.</b>
CK019001328	Renewal offer did not include required information on changes in premium or coverage
VP094015669	Renewal offer did not include required information on changes in premium or coverage
BK01196325	Renewal offer was not made within the required timeframes
BK01261067	Renewal offer was not made within the required timeframes
BK01137142	Renewal offer was not made within the required timeframes
BK01321304	Renewal offer was not made within the required timeframes
BK01339055	Renewal offer was not made within the required timeframes
BK01162116	Renewal offer was not made within the required timeframes
BK01299417	Renewal offer was not made within the required timeframes
VP09401069	Renewal offer did not include required information on changes in premium or coverage



**Jon Brynga**

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August 24, 2004

James T. Odiorne, CPA, JD  
Deputy Insurance Commissioner  
Company Supervision Division  
Washington State Examination  
Office of Insurance Commissioner  
Central Building, Suite 650  
810 Third Ave.  
Seattle, WA 98104

RE: Report of Market Conduct Examination  
St. Paul Fire and Marine Insurance Company and Affiliates  
Revisions to Draft Report dated May 25, 2004

Dear Mr. Odiorne:

We are writing in response to your letter dated May 26, 2004 to Mr. Munson-Regala. Mr. Munson-Regala is no longer in a role of coordinating market conduct examinations and I have assumed responsibility for this function for the St. Paul Travelers Companies. Thank you for your cooperation in extending the time frame to respond to the report given this transition period. Enclosed is the response to the draft report of Market Conduct Examination dated May 25, 2004.

To facilitate review of our response, we have marked up the original draft report with our comments in underlined text labeled "Company Response". No additional comments were provided where we agree with the findings. We have also attached exhibits in support of our responses. Please note that the additional responses included in the draft report impacted the page numbering from the original draft report.

Prior to receipt of the draft report, we have been in discussions with the Examiner in Charge, Sally Carpenter concerning the violations noted under Underwriting Standard #5 and repeated under Rate and Form Filing Standard #2 pertaining to policy rating under the Real Estate Services Program. As part of those discussions, we agreed to conduct an audit of a sampling of the 142 policies involved and provide support for why the policies were rated in accordance with our filed plan for real estate services and the appropriate schedule rating factors applied. We believe that this information will demonstrate that we are in compliance with our filed rating plans with the exception of a couple of policies where we determined the schedule rating was not correctly applied. We respectfully request that 140 of the 142 violations under the Real Estate Services program under these standards be removed from the report. Upon review of this information, please don't hesitate to contact me if you would like to discuss it further.

There is also a finding on page 12 of the draft report pertaining to Umbrella rating on our VisionPak product. However, this error was discovered during an internal company review and corrected prior to the announcement of this examination process. Therefore we believe this finding should not be included in the examination report. If this finding is to remain in the report, we respectfully request that our corrective actions which were implemented prior to the examination be acknowledged and we have provided suggested wording.

In addition to the response to the "Findings" we have outlined steps taken by our Company in response to the "Instructions and Recommendations" section on page 21 of the draft report. Our company appreciates the assistance of Sally Carpenter, and Shirley Merrill in working with us during the examination to recommend corrective actions and we have implemented a number of them since the conclusion of the on-site examination.

We respectfully request your cooperation in incorporating our revisions into the final report. If you have any questions on the revisions, please feel free to call me at (860) 954-2517.

Sincerely,

**Jon Brynga**

Jon Brynga  
2VP Market Conduct Compliance